

Susan Blumenstock

October 13, 2010

Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Re: Proposed Rule – Revisions to Reg Z – Credit Protection Products
Docket No. R-1390

Dear Ms. Johnson:

I have worked for a finance company for over 35 years. In this amount of time, I have seen many customers who chose not to take coverage that later told me how much they wished they had paid the extra for the protection. I have personal experience where customers were unsure about their need for the coverage. They went ahead and decided to take the coverage. Later they filed claims and told me how thankful they were to have the coverage. I've had customers that experienced the death of a co-borrower and I saw their relief of not having to pay the remainder of the loan, but instead getting finance charges still covered coming back to them in a check. I've also had customers where there was no insurance coverage. Later they experience situations that would have been covered by a policy we provide. They are unable to pay the payments and at the minimum they hurt their credit record because of lapses in payments. In other cases, in addition to their credit, they lost whatever collateral we had for security and in some cases customers had to file bankruptcy because they never took coverage on any of their obligations.

My company does make a profit from selling payment protection products...this is true. But our employees do not make a commission for any sales or any direct compensation. We have a good disclosure process in our loan closings. I would encourage our customers to take payment protection even if we did not make a profit. The customer and we both profit from not having a difficult situation from one of life's unexpected events.

From all of this, I'm sure you can see that I believe in the benefits of payment protection to customers. I also know from experience that our customers do not have the means to withstand health issues that require them to be off work. It may not be true in all lending, but for consumer credit through a finance company, this is a pretty safe statement. Our customers do not have large savings. They live from pay check to pay check and nothing anyone could do would change that. Generally, if they have more income, they have more needs. There are a lot of things that can be regulated, but not free will.

In what I have read of the rules that are being considered, I feel the message is to turn customers off from getting coverage they need. No one expects to become sick and disabled. No one expects to have an accident. No one expects to die before the loan is paid. The reality of it is that these unexpected incidents happen. I daresay it seems to me they happen more frequently to our customers than the population at large.

I know my company will be sending you a formal letter pertaining to why the wording of this proposal should not be negative against the product. I hope in reading this letter you can glean some understanding of how payment protection works in the real world for our customers. We do not want to harm our customers. Our customers write our paychecks. We want what they want. We want to help them provide for their financial needs and wants. We want them to pay us back so we can help them with other needs as they arise. This is a common goal. Requiring customers read statements that reflect poorly on insurance is not going help them, although most of our customers ask for coverage if they have ever had it before - always if they have used it.

I apologize for length of the letter. I hope it will spark some thoughts concerning consumer needs as opposed to the consumer advocate approach to try to control consumers by doing "what is best for them". Changes like you are considering may seem a good thing to those groups, but the unintended consequences for these customers must be considered.

I would like to ask the Board to withdraw the credit protection proposal or at least make change to make it more balanced with objective disclosures. Thank your letting me voice my opinions.

Sincerely,

A handwritten signature in black ink, appearing to read "Susan Blumenstock". The signature is fluid and cursive, with a long horizontal stroke extending from the end.

Susan Blumenstock